

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

WELLS FARGO AND CO., et al.,

Plaintiffs,

No. C 12-3856 PJH

v.

**ORDER DENYING RENEWED MOTION
FOR PRELIMINARY INJUNCTION**ABD INSURANCE AND FINANCIAL
SERVICES, INC., et al.,

Defendants.

On August 6, 2014, plaintiffs' renewed motion for preliminary injunction came on for hearing before this court. Plaintiffs Wells Fargo & Company and Wells Fargo Insurance Services, USA, Inc. ("plaintiffs" or "Wells Fargo") appeared through their counsel, Felicia Boyd. Defendants ABD Insurance and Financial Services, Inc., Kurt DeGrosz, and Brian Hetherington ("defendants" or "the ABD defendants") appeared through their counsel, Benjamin Riley. Having read the parties' papers and carefully considered their arguments, and the relevant legal authority, the court DENIES plaintiffs' motion as follows.

BACKGROUND

Many of the relevant facts in this case were set out in a previous court order, dated March 8, 2013. See Dkt. 85. To summarize, this suit arises out of the alleged misappropriation of the "ABD" name and trademark by defendants. The "ABD" mark was first used by the company Alburger Basso de Grosz Insurance Services, which was founded in 1990, and which changed its name to "ABD Insurance and Financial Services" in 1997. In 2007, Wells Fargo purchased the company and all of its assets, and in 2008, Wells Fargo merged the newly-bought company into its own insurance company, Wells Fargo Insurance Services.

1 After ABD was purchased by Wells Fargo, a number of former ABD employees
2 (including defendants Hetherington and de Grosz) began working for their own insurance
3 brokerage company, called Insurance Leadership Network (“ILN”). In 2012, after learning
4 that Wells Fargo had changed the legal name of the ABD company that it purchased, ILN
5 filed a federal trademark application for the “ABD” mark and a request with the California
6 Department of Insurance to begin doing business as “ABD Insurance and Financial
7 Services.”

8 In July 2012, Wells Fargo learned that defendants had started to promote
9 themselves using the “ABD” name, and sent them a letter demanding that they desist. In
10 late July 2012, approximately 75 former employees of Wells Fargo Insurance Services
11 joined the new ABD company.

12 Wells Fargo filed this suit on July 24, 2012, asserting five causes of action: (1)
13 violation of section 43(a)(1)(A) of the Lanham Act, (2) violation of section 43(a)(1)(B) of the
14 Lanham Act, (3) common law trademark infringement, (4) violation of Cal. Bus. & Prof.
15 Code section 17200, and (5) false advertising under Cal. Bus. & Prof. Code section 17500.
16 On July 31, 2012, Wells Fargo filed an action in state court against six former employees of
17 Wells Fargo Insurance Services who joined the new ABD company, alleging claims for
18 breach of the duty of loyalty, intentional interference with economic relationships,
19 intentional interference with prospective economic relationships, unfair competition,
20 conspiracy, and breach of contract. In this suit, Wells Fargo contends that the ABD
21 defendants are creating confusion in the marketplace by using the “ABD” mark, and that
22 they have made false statements regarding the association between defendants’ company
23 and the Wells Fargo-purchased ABD company. In the state court suit, Wells Fargo claims
24 that the ABD defendants have been using the former Wells Fargo employees to solicit
25 Wells Fargo’s customers and to use Wells Fargo’s proprietary information.

26 Wells Fargo filed its first motion for preliminary injunction on November 30, 2012.
27 On March 8, 2013, the court denied the motion, finding that Wells Fargo had not shown a
28 likelihood of success on the merits of its trademark infringement claim, and that Wells

Fargo had not shown that it was likely to suffer irreparable harm absent an injunction. Wells Fargo appealed, and on December 20, 2013, the Ninth Circuit reversed this court's ruling. Although the Ninth Circuit did not reach the ultimate issues of whether Wells Fargo had established either (1) a likelihood of success on the merits or (2) that it was likely to suffer irreparable harm absent an injunction, the Ninth Circuit did find that this court "abused its discretion in its analysis of Wells Fargo's likelihood of success on the merits of its claims," and remanded the case for reconsideration and further proceedings. See Wells Fargo v. ABD, 2014 WL 806385 (9th Cir. Mar. 3, 2014).

On June 12, 2014, Wells Fargo filed this renewed motion for preliminary injunction. Wells Fargo has also filed a motion to exclude the report of one of defendants' experts (Kenneth A. Hollander), which was submitted as part of defendants' opposition. Because the motion to exclude presents a threshold evidentiary question, the court will address it first, before deciding the preliminary injunction motion.

DISCUSSION

A. Motion to Exclude Hollander Report

1. Legal Standard

Federal Rule of Evidence 702 permits experts qualified by "knowledge, experience, skill, expertise, training, or education" to testify "in the form of an opinion or otherwise" based on "scientific, technical, or other specialized knowledge" if that knowledge will "assist the trier of fact to understand the evidence or to determine a fact in issue." Fed. R. Evid. 702.

The proponent of expert testimony bears the burden of establishing by a preponderance of the evidence that the admissibility requirements are met. See Fed. R. Evid. 702, Advisory Committee Notes. Although there is a presumption of admissibility, Daubert v. Merrell Dow Pharms., Inc., 509 U.S. 579, 588 (1993), the trial court is obliged to act as a "gatekeeper" with regard to the admission of expert scientific testimony under Rule 702. Id. at 597.

Daubert requires a two-part analysis. First, the court must determine whether an

expert's testimony reflects "scientific knowledge," whether the findings are "derived by the scientific method," and whether the work product is "good science" - in other words, whether the testimony is reliable and trustworthy. Id. at 590 & n.9, 593. Second, the court must determine whether the testimony is "relevant to the task at hand." Id. at 597.

2. Legal Analysis

In its motion to exclude, Wells Fargo makes four primary challenges to the survey evidence submitted with the Hollander declaration: (1) the survey examines the wrong issue, (2) the use of the Eveready design is improper, (3) the survey test and control stimuli are improper, and (4) the survey population is not clearly defined and is improper.

Overall, the court finds merit in a number of Wells Fargo's arguments. Most importantly, the survey improperly focuses on the likelihood of confusion between the "ABD" brand and the "Wells Fargo" brand, instead of focusing on the likelihood of confusion between the two different uses of the "ABD" mark – one by defendants, and one by the company now owned by Wells Fargo. The court also finds that defendants have not adequately established that the survey participants were, as claimed, "corporate executives that purchase or have influence over the purchase of corporate insurance or employee benefits plans for their company." Mr. Hollander appears to have relied on unverified self-reports from the participants regarding their role in purchasing corporate insurance or benefit plans, and given that survey participants were offered certain incentives for participating, the court finds reason to doubt the veracity of those self-reports.

That said, the Ninth Circuit has held, on multiple occasions, that "[c]hallenges to survey methodology," including "the format of the questions or the manner in which it was taken, bear on the weight of the evidence, not its admissibility." See, e.g., Fortune Dynamic, Inc. v. Victoria's Secret Stores Brand Mgmt, Inc., 618 F.3d 1025, 1036 (9th Cir. 2010); Wendt v. Host Int'l, Inc., 125 F.3d 806, 814 (9th Cir. 1997). While Wells Fargo correctly identifies a number of problems with the survey, it has not presented any authority supporting its exclusion. Thus, while the court does find a number of serious deficiencies in the Hollander survey, those deficiencies bear on the weight given to the survey, rather than

1 its admissibility. As a result, the court DENIES Wells Fargo's motion.

2 B. Motion for Preliminary Injunction

3 1. Legal Standard

4 A plaintiff seeking a preliminary injunction must establish that it is likely to succeed
5 on the merits, that it is likely to suffer irreparable harm in the absence of preliminary relief,
6 that the balance of equities tips in its favor, and that an injunction is in the public interest.
7 Winter v. Natural Resources Defense Council, Inc., 55 U.S. 7, 20 (2008).

8 Alternatively, the plaintiff may demonstrate that serious questions going to the merits
9 were raised and that the balance of hardships tips sharply in the plaintiff's favor, "so long as
10 the plaintiff also shows that there is a likelihood of irreparable injury and that the injunction
11 is in the public interest." Alliance for Wild Rockies v. Cottrell, 632 F.3d 1127, 1135 (9th Cir.
12 2011). A "serious question" is one on which the plaintiff has "a fair chance of success on
13 the merits." Sierra On-Line, Inc. v. Phoenix Software, Inc., 739 F.2d 1415, 1421 (9th Cir.
14 1984).

15 An injunction is a matter of equitable discretion and is "an extraordinary remedy that
16 may only be awarded upon a clear showing that the plaintiff is entitled to such relief."
17 Winter, 55 U.S. at 22.

18 2. Legal Analysis

19 As mentioned above, in denying Wells Fargo's original motion for preliminary
20 injunction, this court found that Wells Fargo had failed to satisfy two prongs of the Winter
21 test: (1) likelihood of success on the merits, and (2) irreparable harm. The Ninth Circuit, in
22 reversing this court, concluded that "the district court abused its discretion in its analysis of
23 Wells Fargo's likelihood of success on the merits of its claims," but "decline[d] to address"
24 the irreparable harm issue, instead directing this court to "revisit the issue of irreparable
25 harm on remand" in light of the recent decision in Herb Reed Enterprises, LLC v. Florida
26 Entertainment Management, Inc., 736 F.3d 1239 (9th Cir. 2013).

a. Likelihood of success on the merits

In reversing this court on the “likelihood of success on the merits” analysis, the Ninth Circuit made three findings. First, it rejected this court’s characterization of Wells Fargo’s false advertising claim as “derivative” of its trademark infringement claim, and held that this court abused its discretion by failing to separately consider the false advertising claim.

Second, the Ninth Circuit rejected this court’s conclusion that defendants had “made a sufficient showing of a likelihood of success on the merits of their abandonment defense to preclude a finding that Wells Fargo is likely to succeed” on its trademark infringement claim, and instead concluded that “Wells Fargo continued its bona fide use of the mark in the ordinary course of business.”

Finally, the Ninth Circuit rejected this court’s apparent reliance on the lack of evidence of actual confusion, holding that actual confusion “is less important at the preliminary injunction stage” of the case, because “at that point parties have rarely amassed significant evidence of actual confusion.”

Notably, the Ninth Circuit did not affirmatively hold that Wells Fargo had established a likelihood of success on the merits. Thus, the court will reconsider the issue, in light of the Ninth Circuit’s guidance and the new evidence cited by the parties in this renewed motion.

Wells Fargo argues that it is likely to succeed on the merits on three¹ of its claims: (1) trademark infringement, (2) false affiliation, and (3) false advertising.

In order to prevail on its claim for trademark infringement, Wells Fargo must show that (1) it owns a valid trademark and (2) defendants’ use of the mark is likely to cause confusion, mistake, or deception. See, e.g., Applied Information Sciences Corp. v. eBay, Inc., 511 F.3d 966, 969 (9th Cir. 2007).

As to the first prong, the court finds that Wells Fargo’s acquisition of ABD Insurance

¹The court notes that Wells Fargo needs to show a likelihood of success on the merits of only one of its claims in order to meet the first prong of the Winter test.

1 & Financial Services in 2007 included the acquisition of the “ABD” trademark. Defendants
2 do not challenge the validity of this initial acquisition, but instead, argue that Wells Fargo
3 has since abandoned the mark.

4 In order to establish a defense of trademark abandonment, an accused infringer
5 must show that the trademark owner (1) discontinued use of the mark, (2) with intent not to
6 resume such use. Electro Source, LLC v. Brandess-Kalt-Aetna Group, Inc., 458 F.3d 931,
7 935 (9th Cir. 2006). In its previous order denying Wells Fargo’s motion for preliminary
8 injunction, the court considered the facts presented by defendants – including Wells
9 Fargo’s merging of the ABD company into Wells Fargo Insurance Services, its instructions
10 that “the ABD name can no longer be used,” and its failure to maintain the “ABD” trade
11 name with the California Department of Insurance, among other things – and while it did
12 “not rule on the ultimate issue of whether Wells Fargo actually abandoned the ‘ABD’ mark,”
13 it did “find that defendants have made a sufficient showing of a likelihood of success on the
14 merits of their abandonment defense to preclude a finding that Wells Fargo is likely to
15 succeed” on its trademark infringement claim. Dkt. 85 at 14.

16 However, on appeal, the Ninth Circuit “conclude[d] that Wells Fargo continued its
17 bona fide use of the mark in the ordinary course of business,” “most notably in customer
18 presentations and solicitations.” In so holding, the Ninth Circuit essentially made a finding
19 of fact regarding Wells Fargo’s use of the mark. And because even a “single instance of
20 use is sufficient against a claim of abandonment of a mark if such use is made in good
21 faith,” the Ninth Circuit’s finding effectively precludes defendants’ abandonment defense.

22 Defendants now argue that the Ninth Circuit’s conclusion was merely “non-binding
23 dictum,” and urges the court to “review the new record presented with this motion, and
24 make an independent determination on the abandonment issue.” However, there are two
25 problems with defendants’ argument. First, the nature of the abandonment defense is that
26 it requires the trademark holder to make no bona fide use of the mark, and even a “single
27 instance of use” is sufficient to defeat the defense. Thus, once there has been a finding
28 that such a use occurred, no amount of contrary evidence can undo that finding. Second,

defendants admit that Wells Fargo relies “principally on the same factual record” as the previous motion, and they argue that Wells Fargo’s “only new ‘evidence’ consists of an outdated and false ad, an illegal reference to the old firm, and another reference to the fact that Wells Fargo acquired ABD in 2007.” Thus, there is not much of a “new” record for the court to review. Based on the Ninth Circuit’s finding that Wells Fargo “continued its bona fide use of the mark,” the court must hold that defendants have not shown a likelihood of success on the merits of their abandonment defense, and that Wells Fargo has made a sufficient showing that it owns a valid trademark.

The second element of an infringement claim requires a trademark owner to show that defendants’ use of the mark is likely to cause confusion, mistake, or deception. This analysis is guided by the eight factors set forth in AMF v. Sleekcraft Boats, 599 F.2d 341 (9th Cir. 1979). The Sleekcraft factors are:

- (1) strength of the mark;
- (2) proximity of the goods;
- (3) similarity of the marks;
- (4) evidence of actual confusion;
- (5) marketing channels used;
- (6) type of goods and the degree of care likely to be exercised by the purchaser;
- (7) defendant’s intent in selecting the mark;
- (8) likelihood of expansion of the product lines.

Id. at 348-49.

In its previous order, the court found that the parties’ arguments were largely focused on factors (4), (6), and (7). However, in opposing Wells Fargo’s renewed motion, defendants challenge more than just those three factors, so the court will address all of the Sleekcraft factors in this order.

As to the strength of the mark, the court notes that this factor is “evaluated in terms of its conceptual strength and commercial strength.” GoTo.com, Inc. v. Walt Disney Co., 202 F.3d 1199, 1207 (9th Cir. 2000). Conceptual strength is measured “along a spectrum

1 of increasing inherent distinctiveness,” and marks are categorized, from weakest to
2 strongest, as “generic, descriptive, suggestive, and arbitrary or fanciful.” Id. The court
3 finds that the “ABD” mark falls into the “arbitrary or fanciful” category, and thus finds the
4 mark to be conceptually strong. As to commercial strength, the court notes that the ABD
5 defendants described the mark as having “a ton of brand equity,” and while the court
6 agrees that Wells Fargo did very little to maintain the mark’s strength (by failing to promote
7 the brand, and by merging the ABD company into Wells Fargo Insurance Services), that
8 non-maintenance of the mark did not completely deteriorate its commercial strength. As a
9 result, the court finds that factor (1) favors Wells Fargo.

10 As to the proximity of the goods, defendants do not appear to dispute that the
11 companies offer identical insurance brokerage services, so the court finds that factor (2)
12 favors Wells Fargo.

13 As to the similarity of the marks, defendants argue that the relevant comparison is
14 between Wells Fargo’s mark and the ABD defendants’ mark. The court disagrees, and
15 finds that the relevant comparison is between the mark of the ABD company purchased by
16 Wells Fargo, and the mark used by the ABD defendants. The court finds that the marks
17 are indeed similar, and thus, factor (3) favors Wells Fargo.

18 As to the evidence of actual confusion, the court found in its previous order that
19 “outside of the period immediately following ABD’s launch, Wells Fargo has failed to show
20 any examples of confusion among the consumers of the insurance products both
21 companies provide.” Dkt. 85 at 15. Wells Fargo now offers one new instance of alleged
22 actual confusion – a March 8, 2014 email to defendants from a “potential client” asking “I
23 am curious – are you part of the old ABD that merged with Wells or Woodruff – I can’t
24 remember and then exited[?]” Dkt. 124 at 18. In their opposition brief, defendants argue
25 that the March 2014 email was actually from “an accounting consultant (not a client).”
26 Wells Fargo does not mention the March 2014 email in its reply, instead pointing to a
27 different example of “ongoing” confusion that occurred in June 2014, when “an insurer
28 providing the workers’ compensation coverage for one of Wells Fargo’s accounts refused to

1 provide loss information to Wells Fargo because the insurer's records listed ABD as the
2 broker of record." Dkt. 146 at 9. This latest example may be evidence of confusion, but
3 not of consumer confusion.² Thus, it appears that Wells Fargo still is unable to identify any
4 examples of consumer confusion that occurred outside of the period immediately following
5 ABD's launch.

6 The court acknowledges that "a motion for preliminary injunction normally occurs
7 early in litigation," and "at that point parties rarely have amassed significant evidence of
8 actual confusion." Wells Fargo v. ABD, 2014 WL 806385, at *3. However, this case is
9 atypical in certain respects, including that the case has been pending for over two years,
10 and that Wells Fargo has issued subpoenas to over 150 of the ABD defendants' clients,
11 resulting in over 28,000 documents produced through discovery. Thus, Wells Fargo has
12 had ample opportunity to find examples of consumer confusion. Given that all examples of
13 consumer confusion occurred in July and August of 2012, and that defendants have taken
14 measures to remedy any such confusion, the court finds that factor (4) favors defendants.³
15 That said, actual confusion is but one of the Sleekcraft factors, and the court's finding
16 regarding factor (4) does not automatically preclude Wells Fargo from showing a likelihood
17 of confusion, and thus a likelihood of success on the merits of its trademark infringement
18 claim.

19 As to the marketing channels used, defendants do not appear to dispute that the
20 parties use similar marketing channels, and instead argue that the court should give
21

22 ²Wells Fargo attempts to argue that its clients' insurance carriers are also "customers"
23 of Wells Fargo, referring to them as "upstream customers." However, Wells Fargo has not
24 adequately explained how insurance carriers are in any sense "customers" of Wells Fargo.
25 Indeed, to the extent that Wells Fargo alleges that it lost business due to defendants' activities,
26 those allegations appear to center around purchasers of insurance (i.e., "downstream"
customers). Thus, in the absence of an adequate explanation as to the relationship between
Wells Fargo and insurance carriers, the court will consider only those entities which purchase
insurance from Wells Fargo to be Wells Fargo's "customers."

27 ³Given the serious deficiencies in the Hollander survey (described above), the court
28 affords the survey very little weight, and instead bases its conclusion on the lack of evidence
of actual confusion submitted by Wells Fargo.

1 “minimal weight” to this factor “[d]ue to the related goods involved here.” However, the
2 authority cited by defendants does not support their argument – in Playboy Enterprises,
3 Inc. v. Netscape Communications Corp., the court gave “little weight” to this factor only
4 because both parties used the Internet as a marketing channel, and that “[g]iven the broad
5 use of the Internet today, the same could be said for countless companies.” 354 F.3d
6 1020, 1028 (9th Cir. 2004). The mere fact that the parties’ products are similar does not
7 require giving less weight to this, or any other, factor. Accordingly, the court finds that
8 factor (5) favors Wells Fargo.

9 As to the type of goods and the degree of care likely to be exercised by the
10 purchaser, the court previously held, and still holds, that “[i]nsurance brokerage is not an
11 industry where customers make purchases on a whim, and can be easily fooled by the
12 name of a company.” Dkt. 85 at 16. The evidence shows that defendants’ customers are
13 highly sophisticated, and made purchasing decisions based on their relationships with
14 individual brokers, not based solely on the name “ABD.” In its previous order, the court
15 cited a customer email exhibiting the level of sophistication exercised. See id. After the
16 Wells Fargo customer (Lori McAdams, Vice President of Human Resources and
17 Administration at Pixar) learned that a Wells Fargo broker (Chris Call) left to join a new
18 company, she sent an unsolicited email to Mr. Call’s personal email address, explaining
19 that she had learned of his departure and would “love to talk with [him] to hear about the
20 new organization” and his “interest in remaining a consultant to Pixar.” See Dkt. 142, Ex.
21 A. Ms. McAdams noted that “Wells Fargo is anxious to keep our business,” but made clear
22 that Pixar “value[d]” Mr. Call and another broker (who also left Wells Fargo to join the new
23 ABD company) “much more as individuals than as Wells Fargo employees.” Id. Ms.
24 McAdams also explained that she had conducted a call with “WF leadership” that morning,
25 and was “not impressed and definitely want[ed] to explore what to do and determine what’s
26 in the best interest of our Plans.” Id.

27 Defendants also provide declarations from two customers who moved their business
28 from Wells Fargo to the new ABD company. See Dkts. 140-12 (declaration of Timothy E.

1 Morris); 140-13 (declaration of William Reed Sawyers). Mr. Morris explains that, after
2 learning that his “primary contacts” at Wells Fargo (Jeff Dodds and his team) left to join the
3 new ABD company, he “decided to keep the account with Mr. Dodds and his team, even
4 though at that time [he] was unaware of the name of the new company,” because he
5 “trusted the expertise and knowledge of Mr. Dodds and his team in servicing [their]
6 account, and viewed that long-standing relationship as the decisive factor.” Dkt. 140-12 at
7 ¶ 3. Mr. Sawyers similarly explains that his decision to move his business from Wells
8 Fargo to the new ABD company “was not a difficult one, given that the primary individuals
9 servicing the [] account had departed” Wells Fargo. Dkt. 140-13 at ¶ 4. Mr. Sawyers also
10 makes clear that “[a]t no point in the process was [he] confused by the ‘ABD’ name, nor did
11 [he] think that the ABD team had any association” with Wells Fargo or the Wells Fargo-
12 acquired ABD company. *Id.*, ¶ 5.

13 In short, the court finds no reason to modify its original finding regarding factor (6),
14 and thus, factor (6) favors defendants.

15 As to defendants’ intent in selecting the mark, the court previously rejected
16 defendants’ argument that they chose the “ABD” mark simply to “honor their fathers and
17 their legacies,” and instead found that they “chose the mark to signal some sort of link with
18 the original ABD company.” Dkt. 85 at 16-17. The court’s previous finding applies with
19 equal force on this motion, and thus, factor (7) favors Wells Fargo.

20 Finally, as to the likelihood of expansion of the product lines, Wells Fargo argues
21 that this factor is of “diminished importance here but still weighs strongly in Wells Fargo’s
22 favor because the marks are identical and defendants have already expanded to unfairly
23 compete against Wells Fargo in virtually [every] type of insurance brokerage market.” Dkt.
24 124 at 23. However, the similarity of the marks was already considered as part of factor
25 (2), and the argument that defendants have already expanded does not speak to the
26 “likelihood of expansion.” In short, it appears that factor (8) was designed to apply to
27 circumstances where an alleged infringer did not yet compete with a trademark holder, but
28 was likely to do so. That is not the case here, so the court finds that factor (8) is neutral.

1 Having considered the Sleekcraft factors, the court finds that factors (1), (2), (3), (5),
2 and (7) favor Wells Fargo; factors (4) and (6) favor defendants; and factor (8) is neutral.
3 However, the factors are not to be given equal weight, and instead “must be applied in a
4 flexible fashion.” Rearden LLC v. Rearden Commerce, Inc., 683 F3d 1190, 1209 (9th Cir.
5 2012). Overall, while the lack of actual confusion and the high degree of care exercised by
6 purchasers do lessen the likelihood of confusion, the court finds that the fact that the marks
7 and the goods are identical – not just similar – combined with defendants’ intent in selecting
8 the mark, tip the balance towards Wells Fargo. Thus, the court finds that Wells Fargo has
9 shown a likelihood of confusion, and coupled with the Ninth Circuit’s finding regarding Wells
10 Fargo’s bona fide use of the “ABD” mark (which defeats defendants’ abandonment
11 defense), the court finds that Wells Fargo has shown a likelihood of success on the merits
12 of its trademark infringement claim.

13 Given that a plaintiff seeking a preliminary injunction need only show a likelihood of
14 success on the merits of one of its claims, the court need not address at length the merits
15 of Wells Fargo’s false affiliation claim or false advertising claim. A false affiliation claim
16 under section 43(a)(1)(A) of the Lanham Act prohibits the use of any name, word, or term
17 that “is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation,
18 connection, or association” between two providers of goods or services. See 15 U.S.C.
19 § 1125(a)(1)(A). Thus, it is similar to a trademark infringement claim, but does not require
20 proof of a valid trademark. Because the “likelihood of confusion” analysis for false affiliation
21 purposes would be similar to the analysis for trademark infringement purposes, the court
22 finds that Wells Fargo has shown a likelihood of success on the merits of its false affiliation
23 claim.

24 To establish a false advertising claim, Wells Fargo needs to show that (1)
25 defendants made one or more false statements of fact in a commercial advertisement
26 about their own or Wells Fargo’s services, (2) the statement(s) actually deceived or has (or
27 have) the tendency to deceive a substantial segment of its audience, (3) the deception is
28 material, in that it is likely to influence the purchasing decision, (4) defendants caused their

1 false statement(s) to enter interstate commerce, and (5) Wells Fargo has been or is likely
 2 to be injured as a result of the false statement(s), either by direct diversion of sales from
 3 itself to defendants or by a lessening of the goodwill associated with its products. See,
 4 e.g., Southland Sod Farms v. Stover Seed Co., 108 F.3d 1134, 1139 (9th Cir. 1997).

5 Here, the analysis differs from the analysis of the trademark infringement claim. As
 6 to prong (1), the court will assume that defendants' statements regarding the "relaunch" of
 7 ABD were false statements of fact. As to prong (2), as discussed above, the court has not
 8 found any examples of actual deception, which is distinct from mere confusion. However,
 9 because the court has found a likelihood of confusion as to defendants' use of the "ABD"
 10 name, it does find that defendants' statements had "a tendency to deceive." However, as
 11 to prong (3), Wells Fargo has presented no evidence that defendants' alleged deception
 12 was "material, in that it is likely to influence the purchasing decision." As discussed above,
 13 insurance brokerage customers are sophisticated purchasers, and the evidence cited
 14 above indicates that their purchasing decisions were governed by their relationships with
 15 individual brokers, rather than by any alleged deception. Thus, the court finds that Wells
 16 Fargo has not shown a likelihood of success on the merits of its false advertising claim.
 17 However, because it has already shown that it is likely to succeed on its other two claims,
 18 the first prong of the Winter test is indeed met.

19 b. Irreparable harm

20 As mentioned above, the Ninth Circuit did not address the issue of irreparable harm,
 21 instead noting that "neither the district court nor the parties had the benefit" of the recent
 22 decision in Herb Reed Enterprises, LLC v. Florida Entertainment Management, Inc., and
 23 directing this court to "revisit the issue of irreparable harm on remand." The Ninth Circuit
 24 also quoted a relevant passage from Herb Reed, holding that "[e]vidence of loss of control
 25 over business reputation and damage to goodwill could constitute irreparable harm." 736
 26 F.3d at 1250. The court begins with a close examination of the Herb Reed decision.

27 The factual record in Herb Reed was a complicated one (due to a large number of
 28 prior lawsuits with conflicting results), but essentially, the trademark dispute centered

1 around the use of the name “The Platters” by former members of the vocal group and by
2 other claimants to the name. Herb Reed, one of the founding members of the group,
3 sought (through his company, Herb Reed Enterprises) a preliminary injunction against one
4 of those other claimants to the name. The district court granted the preliminary injunction
5 motion, concluding that the damage to Reed's reputation constituted irreparable harm and
6 warranted an injunction.

7 On appeal, the Ninth Circuit started by discussing the standard for showing
8 irreparable harm, noting that the Supreme Court had “cast doubt on the validity of the
9 [Ninth Circuit’s] previous rule that the likelihood of ‘irreparable injury’ may be presumed
10 from a showing of likelihood of success on the merits of a trademark infringement claim.”
11 736 F.3d at 1248-49 (emphasis in original). In Winter and in eBay v. MercExchange, the
12 Supreme Court found that such a presumption was improper, and that a plaintiff needed to
13 show an actual likelihood of irreparable injury (not just a “possibility”). See 736 F.3d at
14 1249 (citing Winter, 555 U.S. at 22; eBay, 547 U.S. 388, 391 (2006)). The Ninth Circuit
15 had previously adopted that rationale in the copyright context, but the Herb Reed court
16 expressly extended it to a preliminary injunction motion in a trademark case. Specifically,
17 Herb Reed held that the Ninth Circuit “now join[ed] other circuits in holding that the eBay
18 principle – that a plaintiff must establish irreparable harm – applies to a preliminary
19 injunction in a trademark infringement case.” 736 F.3d at 1249.

20 Applying the rule of Winter and eBay, the Herb Reed court found that the district
21 court improperly relied on “unsupported and conclusory statements regarding harm” in
22 granting the injunction, and that its analysis was “cursory and conclusory, rather than being
23 grounded in any evidence or showing offered by” Herb Reed. 736 F.3d at 1250. The court
24 acknowledged that “evidence of loss of control over business reputation and damage to
25 goodwill could constitute irreparable harm” (as quoted above), but it went on to hold that
26 the district court’s “pronouncements are grounded in platitudes rather than evidence, and
27 relate neither to whether ‘irreparable injury’ is likely in the absence of an injunction,” nor to
28 “whether legal remedies, such as money damages, are inadequate in this case.” Id. at

1 1250 (emphasis in original). The court clarified that “it may be that [Herb Reed] could
2 establish the likelihood of irreparable harm,” but “missing from this record is any such
3 evidence.” Id.

4 The closest evidence of irreparable harm that the Herb Reed court found was “an
5 email from a potential customer complaining to [defendant’s] booking agent that the
6 customer wanted Herb Reed’s band rather than another tribute band.” 736 F.3d at 1250.
7 But the Ninth Circuit found that such evidence “simply underscores customer confusion, not
8 irreparable harm.” Id.

9 Applying the holding of Herb Reed to the present case, the court finds that Wells
10 Fargo’s arguments regarding harm to reputation and goodwill are the same type of
11 “unsupported and conclusory statements regarding harm [plaintiff] might suffer” that were
12 rejected in Herb Reed. For instance, Wells Fargo argues in its opening motion that ABD
13 has “caused Wells Fargo to lose control over [its] goodwill and reputation,” that it “has lost
14 and continues to lose much of the goodwill it purchased,” and has “lost the benefit of the
15 association it forged with the ABD name.” See Dkt. 124 at 20, 27. These statements are
16 mere assertions, and, as was the case in Herb Reed, they are “platitudes rather than
17 evidence.”

18 In its reply, Wells Fargo argues that the declaration of Krista Holt contains
19 “uncontroverted expert testimony on the nature of the harm and the absence of monetary
20 damages sufficient to repair the harm,” and when asked about irreparable harm at the
21 hearing, counsel for Wells Fargo again pointed to the Holt declaration as containing
22 “evidence . . . with respect to the damage that is being done to our brand.” See Dkt. 146 at
23 15; Dkt. 158 at 29. At the hearing, the court asked Wells Fargo’s counsel to “go through
24 the Holt declaration, and tell me what evidence she refers to that establishes the harm to
25 the brand.”

26 Wells Fargo’s counsel directed the court’s attention to section 6 of the Holt
27 declaration, entitled “irreparable harm,” and started with paragraph 36, which stated that “it
28 would be difficult to fully capture the amount of economic damages caused by the

1 defendants in this case.” See Dkt. 126, ¶ 36.

2 Wells Fargo’s counsel then pointed to the remainder of the Holt declaration’s
3 “irreparable harm” section, paragraphs 37 through 40. Paragraph 37 states that “[t]he ABD
4 brand is valuable because it signals to existing and prospective clients that the underlying
5 firm is stable, trustworthy and provides quality service,” and that “[b]y attempting to subvert
6 the ABD brand for its own purposes, the defendants are diminishing the value that this
7 brand conveys to Wells Fargo.” Dkt. 126, ¶ 37.

8 Paragraph 38 discusses Wells Fargo’s acquisition of the ABD brand, and states that
9 “[t]he association Wells Fargo forged with this valuable mark has been undermined by the
10 existence of a competing company with the same name and will likely cause severe and
11 irreversible damage to the consumer perception of the ABD mark and, by extension, to
12 Wells Fargo.” Dkt. 126, ¶ 38.

13 Paragraph 39 explains that “defendants opened their doors in July 2012 under the
14 ABD name” and “began advertising themselves as a reincarnation of the former ABD,”
15 which “devalues the Wells Fargo ABD mark and makes it seem inauthentic.” Dkt. 126,
16 ¶ 39.

17 Paragraph 40 argues that defendants’ use of the ABD name “does not just attempt
18 to associate the defendants with the valuable ABD brand, but taints Wells Fargo’s
19 association with the mark.” Dkt. 126, ¶ 40. Ms. Holt argues that, “[t]hrough promoting itself
20 as the ‘authentic’ ABD, the defendants have disassociated the mark from its rightful owner,
21 which directly diminishes the trademark’s value to Wells Fargo.” Id.

22 The court also notes that paragraph 55 of the Holt declaration asserts that
23 “defendants weakened the association of the [ABD] mark to Wells Fargo, diminishing the
24 value of the brand and making it less instructive to potential clients who rely on Wells
25 Fargo’s reputation for quality service.” Dkt. 126, ¶ 55.

26 As a threshold matter, defendants argue that the court should “disregard Ms. Holt’s
27 declaration” because her “opinions are inadmissible legal conclusions.” While the court will
28 not disregard the declaration entirely, it does note that “an expert witness cannot give an

1 opinion as to her legal conclusion, i.e., an opinion on an ultimate issue of law.” Nationwide
 2 Transport Finance v. Cass Information Systems, Inc., 523 F.3d 1051, 1058 (9th Cir. 2008).
 3 Thus, to the extent that Ms. Holt attempts to opine on the ultimate issue of whether Wells
 4 Fargo has suffered or is likely to suffer irreparable harm (such as her assertions that Wells
 5 Fargo is suffering “irreversible” harm and that any harm “cannot be fully remedied through
 6 monetary damages”), the court finds those statements inadmissible.

7 The remainder of Ms. Holt’s statements regarding the harm to Wells Fargo’s brand,
 8 reputation, and goodwill – while not inadmissible – are the type of “unsupported and
 9 conclusory statements regarding harm” that were rejected in Herb Reed. Ms. Holt simply
 10 asserts, without any supporting evidence, that defendants’ actions have “diminished,”
 11 “undermined,” “devalue[d],” and “taint[ed]” Wells Fargo’s association with the ABD brand.
 12 In order to establish harm to its reputation or its goodwill, Wells Fargo must do more than
 13 simply submit a declaration insisting that its reputation and goodwill have been harmed.
 14 Ms. Holt’s assertions would apply in any case where a trademark holder had established a
 15 likelihood of success on a claim of infringement, and thus, do not constitute the type of
 16 evidence required by Herb Reed. See 736 F.3d at 1251 (“Those seeking injunctive relief
 17 must proffer evidence sufficient to establish a likelihood of irreparable harm.”) (emphasis
 18 added). The Herb Reed court acknowledged that it may be difficult for parties to obtain
 19 such evidence at the preliminary injunction stage of the case, which is why it made clear
 20 that “the rules of evidence do not apply strictly to preliminary injunction proceedings.” Id. at
 21 1250, n.5. However, even under this relaxed evidentiary burden, Wells Fargo offers no
 22 evidence of any harm to its reputation, brand, or goodwill, and instead offers only
 23 “platitudes” of the type rejected in Herb Reed.

24 In Herb Reed, the Ninth Circuit specifically rejected the “presumption of irreparable
 25 harm based solely on a strong case of trademark infringement.” 736 F.3d at 1250. As
 26 stated by the court, “[g]one are the days when ‘once the plaintiff in an infringement action
 27 has established a likelihood of confusion, it is ordinarily presumed that the plaintiff will
 28 suffer irreparable harm if injunctive relief does not issue.’” Id. (internal citations omitted). If

1 the court were to accept Wells Fargo's conclusory assertions of harm to its reputation and
2 goodwill, it would effectively re-insert that now-rejected presumption of irreparable harm. A
3 plaintiff in a trademark infringement case cannot obtain an injunction simply by showing a
4 likelihood of success on the merits of its claim, and then asserting (without evidence) that
5 the alleged infringement "devalues" and "taints" the mark. If the court were to find
6 irreparable harm based on those conclusory assertions, it would "collapse[] the likelihood of
7 success and the irreparable harm factors," and would have the practical effect of re-
8 inserting the presumption of irreparable harm that was rejected in Herb Reed. Id. at 1251.

9 Wells Fargo insists in its papers that it does not seek an "automatic" finding of
10 irreparable harm, but its counsel made statements at the preliminary injunction hearing that
11 indicate otherwise. At the hearing, the court noted that any trademark infringement plaintiff
12 could argue that, when an alleged infringer was using its mark, that the trademark holder
13 had "lost control" of the mark. Thus, the court asked Wells Fargo's counsel: "Is proof of
14 loss of control sufficient to establish damage to the goodwill?," to which counsel answered
15 "yes." Dkt. 158 at 28. In the court's view, Herb Reed requires more than just proof of loss
16 of control, which would be present in every case where a trademark holder had established
17 a likelihood of success on the merits of an infringement claim. Instead, Herb Reed requires
18 evidence that the loss of control is likely to cause harm to the trademark holder. In this
19 case, as in Herb Reed, the court finds that it may be the case that Wells Fargo "could
20 establish the likelihood of irreparable harm," but "missing from this record is any such
21 evidence."

22 Thus, while "evidence of loss of control over business reputation and damage to
23 goodwill could constitute irreparable harm," Wells Fargo (like the Herb Reed plaintiff) has
24 failed to provide any such evidence in this case; and thus, the court finds that Wells Fargo
25 has not established a likelihood of irreparable harm as to its brand, reputation, and/or
26 goodwill.

27 In addition to the arguments regarding alleged harm to Wells Fargo's brand,
28 reputation, and goodwill, Wells Fargo also argues that defendants' actions have caused it

1 to lose business – specifically, Wells Fargo alleges that it has lost “scores of customers
 2 representing millions of dollars in lost revenue,” and “stands to lose even more customers
 3 who are confused or are under the wrong impression that defendants are legitimately
 4 continuing the original ABD business and are authorized to use the ABD name.” Dkt. 124
 5 at 28; see also Dkt. 126, ¶¶ 45-58. However, while Wells Fargo has shown that it has lost
 6 business, it has not shown any connection between that lost business and defendants’ use
 7 of the “ABD” name. In fact, all of the evidence before the court supports its earlier finding
 8 that “it seems equally (if not more) likely that Wells Fargo’s lost business was the result of
 9 each customer’s informed choice about whether to do business with Wells Fargo or ABD.”
 10 See Dkt. 85 at 16; see also Dkt. 85 at 17 (“Wells Fargo has not established a nexus
 11 between defendants’ alleged infringement and any harm suffered by Wells Fargo.”).

12 First, defendants submit an email from Lori McAdams, Vice President of Human
 13 Resources and Administration at Pixar, who is now doing business with the new ABD
 14 company. See Dkt. 142, Ex. A. After Ms. McAdams learned that a Wells Fargo broker
 15 (Chris Call) had left to join another company, she sent an unsolicited email to his personal
 16 email address, explaining that she and other Pixar employee “had learned this morning”
 17 that Mr. Call and another broker had left Wells Fargo, and that she would “love to talk with
 18 [him] to hear about the new organization” and his “interest in remaining a consultant to
 19 Pixar.” Id. Ms. McAdams noted that “Wells Fargo is anxious to keep our business,” but
 20 made clear that Pixar “value[d]” Mr. Call and his colleague “much more as individuals than
 21 as Wells Fargo employees.” Id. Ms. McAdams also explained that she had conducted a
 22 call with “WF leadership” that morning, and was “not impressed and definitely want[ed] to
 23 explore what to do and determine what’s in the best interest of our Plans.” Id. The email
 24 from Ms. McAdams makes clear that Pixar’s choice to do business with ABD was not the
 25 result of the use of the “ABD” name, or any mistaken association with Wells Fargo or the
 26 Wells Fargo-acquired ABD company. In fact, Ms. McAdams appears to have had no
 27 knowledge of the name of the company that Mr. Call was working for.

28 Second, defendants provide a declaration from Timothy E. Morris, Senior Vice

1 President of Global Corporate Development and Chief Financial Officer at Vivius, a current
2 client of the ABD defendants and former client of Wells Fargo. See Dkt. 140-12. Mr.
3 Morris explains that his primary contacts at Wells Fargo were Jeff Dodds and his team. In
4 July 2012, Mr. Morris learned that “Mr. Dodds and core members of his team had left Wells
5 Fargo to work for a new company.” Id., ¶ 3. Mr. Morris “decided to keep the account with
6 Mr. Dodds and his team, even though at that time [he] was unaware of the name of the
7 new company,” because he “trusted the expertise and knowledge of Mr. Dodds and his
8 team,” and “viewed that long-standing relationship as the decisive factor.” Id. Mr. Morris
9 then makes clear that “[a]t no point in the process was [he] confused by the ‘ABD’ name,
10 nor did [he] think that the ABD team had any affiliation with Wells Fargo” or the Wells
11 Fargo-acquired ABD company. Id., ¶ 4.

12 Third, defendants provide a declaration from William Reed Sawyers, Executive Vice
13 President, Chief Administrative Officer, and General Counsel for the Ernest Gallo Clinic and
14 Research Center, a current client of the ABD defendants and former client of Wells Fargo.
15 See Dkt. 140-13. Mr. Sawyers explains that Nicole White and Eric Long were his primary
16 contacts at Wells Fargo, and that, in July 2012, he received a call from Mr. Long informing
17 him of his departure from Wells Fargo. Id., ¶ 2. Mr. Sawyers says that his “decision to
18 switch the Gallo account to the ABD team was not a difficult one, given that the primary
19 individuals servicing the Gallo account had departed” Wells Fargo, and because those
20 individuals “all had the necessary expertise, knowledge, and experience to continue
21 supporting the Gallo insurance brokerage account.” Id., ¶ 4. Mr. Sawyers also makes
22 clear that “[a]t no point in the process was [he] confused by the ‘ABD’ name, nor did [he]
23 think that the ABD team had any affiliation with Wells Fargo” or the Wells Fargo-acquired
24 ABD company. Id., ¶ 5.

25 Fourth, defendants submit an email exchange between employees at Meltwater, a
26 current client of the ABD defendants and former client of Wells Fargo. After an ABD
27 employee sent the Meltwater employees the outline of a proposal, the Meltwater
28 employees had an internal discussion about whether to make the switch from Wells Fargo

1 to ABD. See Dkt. 141, Ex. 48. Laurie Dahlgren at Meltwater responded as follows: “It’s my
2 view that the team is more important than the company, and I do know that Wells Fargo
3 Insurance closed down a local office which impacted many people. Sounds like the team
4 that has been servicing Meltwater has joined the company Megan is recommending
5 switching to (ABD).” Id. Ms. Dahlgren then noted that it was “disturbing” that “Wells Fargo
6 hasn’t been in touch to introduce their new team that will be handling Meltwater’s
7 benefits/relationship.” Id. This email exchange does not support the conclusion that the
8 loss of Meltwater’s business was the result of defendants’ use of the “ABD” name, or of any
9 mistaken association with Wells Fargo or the Wells Fargo-acquired ABD company.

10 To be clear, the evidence provided by defendants is not dispositive on the
11 irreparable harm issue. If Wells Fargo were able to provide even one example of a
12 customer who did switch (or is likely to switch) from Wells Fargo to defendants’ company
13 based on defendants’ use of the “ABD” name, or based on a mistaken association with
14 Wells Fargo, that would be enough to establish harm, even if defendants provided many
15 more examples of customers who switched as the result of an informed choice. However,
16 Wells Fargo has presented no such evidence, even though it issued subpoenas to over 150
17 of defendants’ customers, seeking “documents which evidence false communications and
18 trademark infringement used to solicit business away from Wells Fargo,” which it argued
19 were “necessary to fully ascertain the harm caused to Wells Fargo” and to meet its burden
20 of establishing irreparable harm on its preliminary injunction motion. See Dkt. 53 at 9.
21 Wells Fargo’s subpoenas ultimately resulted in over 28,000 documents produced by the
22 ABD defendants’ clients.

23 At the preliminary injunction hearing, the court asked Wells Fargo’s counsel: “Do you
24 have any example of a company that moved its insurance business to ABD because of its
25 mistaken assumption that Team ABD was the same thing as Wells Fargo’s ABD?”, to
26 which counsel responded: “I don’t have that with me today, Your Honor, no. We’re not in
27 the damages portion of this case.” See Dkt. 158 at 32. Wells Fargo’s counsel
28 misconstrues its evidentiary burden at this stage of the case. While Wells Fargo need not

1 yet identify every example of lost business resulting from defendants' alleged infringement
2 (or false affiliation or false advertising), Herb Reed does require it to present some
3 evidence of likely irreparable harm stemming from defendants' alleged misuse of the "ABD"
4 name. Wells Fargo's counsel insists that proving such harm "is extremely difficult to do,"
5 but the difficulty of proving such harm does not relieve Wells Fargo of its evidentiary burden
6 under Herb Reed. Moreover, even if Wells Fargo could show that it had lost (or was likely
7 to lose) business as a result of defendants' use of the "ABD" name, it is likely that such
8 harm could be remedied through monetary damages – as opposed to harm to reputation or
9 goodwill, which is less-easily quantified. While Wells Fargo emphasizes the difficulty of
10 quantifying even the damages attributable to lost clients, the court presumes that Wells
11 Fargo will retain a damages expert to perform those calculations, and rejects Wells Fargo's
12 argument that "the difficulty in ascertaining [damages] is one of the reasons why there's
13 irreparable harm." Dkt. 158 at 31-32.

14 Beyond the alleged lost business, Ms. Holt also claims in her declaration that "[t]o
15 the extent that the defendants' alleged misappropriation of the ABD mark contributed to the
16 loss of its brokers, this represents a loss of Wells Fargo's investment in its staff." Dkt. 126,
17 ¶ 48. Ms. Holt further alleges that "Wells Fargo was also forced to expend resources to
18 attract and train new brokers in an attempt to return the San Carlos office staff to its
19 preexisting capabilities." Id. However, Wells Fargo has not presented any evidence
20 showing that defendants' use of the "ABD" name is what caused the brokers to leave Wells
21 Fargo. Thus, there is no evidence that the costs Wells Fargo incurred in re-staffing its
22 office are attributable to defendants' alleged infringement, false affiliation, or false
23 advertising. More importantly, even if Wells Fargo were able to demonstrate such a link,
24 the costs of attracting and training new brokers are clearly capable of being remedied
25 through monetary damages.

26 In sum, Wells Fargo has not shown that it is likely to suffer irreparable harm absent
27 the "extraordinary remedy" of an injunction. Wells Fargo has not presented any evidence
28 that its brand, reputation, and/or goodwill will be harmed by defendants' alleged trademark

1 infringement, false affiliation, and/or false advertising, and offers only the type of
2 “platitudes” that were rejected by the Ninth Circuit in Herb Reed. Nor has Wells Fargo
3 shown that it has lost any business as the result of defendants’ alleged trademark
4 infringement, false affiliation, and/or false advertising. Moreover, even if Wells Fargo were
5 able to attribute any lost business to defendants’ alleged trademark infringement, false
6 affiliation, and/or false advertising, Wells Fargo has not shown that such harm could not be
7 remedied through monetary damages.

8 Accordingly, the court need not address the remaining Winter factors, and Wells
9 Fargo’s motion for preliminary injunction is DENIED.

10 CONCLUSION

11 For the reasons explained above, Wells Fargo’s motion for preliminary injunction is
12 DENIED. Because a significant amount of discovery has already occurred in this case, and
13 because the Ninth Circuit has already ruled on certain issues relevant to plaintiffs’ claims,
14 the court will consider advancing the current June 3, 2015 deadline for dispositive motions
15 and the current October 2015 trial date. The parties are directed to meet and confer
16 regarding pretrial deadlines, and may request a telephonic case management conference if
17 they desire to modify the current schedule.

18
19 **IT IS SO ORDERED.**

20 Dated: August 28, 2014



21 PHYLLIS J. HAMILTON
22 United States District Judge
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